

IRS News Release

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Updated 2018 Withholding Tables Now Available; Taxpayers Could See Paycheck Changes By February

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WASHINGTON — The Internal Revenue Service today released Notice 1036, which updates the income-tax withholding tables for 2018 reflecting changes made by the tax reform legislation enacted last month. This is the first in a series of steps that IRS will take to help improve the accuracy of withholding following major changes made by the new tax law.

The updated withholding information, posted today on IRS.gov, shows the new rates for employers to use during 2018. Employers should begin using the 2018 withholding tables as soon as possible, but not later than Feb. 15, 2018. They should continue to use the 2017 withholding tables until implementing the 2018 withholding tables.

Many employees will begin to see increases in their paychecks to reflect the new law in February. The time it will take for employees to see the changes in their paychecks will vary depending on how quickly the new tables are implemented by their employers and how often they are paid—generally weekly, biweekly or monthly.

The new withholding tables are designed to work with the Forms W-4 that workers have already filed with their employers to claim withholding allowances. This will minimize burden on taxpayers and employers. Employees do not have to do anything at this time.

“The IRS appreciates the help from the payroll community working with us on these important changes,” said Acting IRS Commissioner David Kautter. “Payroll withholding can be complicated, and the needs of taxpayers vary based on their personal financial situation. In the weeks ahead, the IRS will be providing more information to help people understand and review these changes.”

The new law makes a number of changes for 2018 that affect individual taxpayers. The new tables reflect the increase in the standard deduction, repeal of personal exemptions and changes in tax rates and brackets.

For people with simpler tax situations, the new tables are designed to produce the correct amount of tax withholding. The revisions are also aimed at avoiding over- and under-withholding of tax as much as possible.

To help people determine their withholding, the IRS is revising the withholding tax calculator on IRS.gov. The IRS anticipates this calculator should be available by the end of February. Taxpayers are encouraged to use the calculator to adjust their withholding once it is released.

The IRS is also working on revising the Form W-4. Form W-4 and the revised calculator will reflect additional changes in the new law, such as changes in available itemized deductions, increases in the child tax credit, the new dependent credit and repeal of dependent exemptions.

The calculator and new Form W-4 can be used by employees who wish to update their withholding in response to the new law or changes in their personal circumstances in 2018, and by workers starting a new job. Until a new Form W-4 is issued, employees and employers should continue to use the 2017 Form W-4.

In addition, the IRS will help educate taxpayers about the new withholding guidelines and the calculator. The effort will be designed to help workers ensure that they are not having too much or too little withholding taken out of their pay.

For 2019, the IRS anticipates making further changes involving withholding. The IRS will work with the business and payroll community to encourage workers to file new Forms W-4 next year and share information on changes in the new tax law that impact withholding.